

File

TRANSMITTAL AND NOTICE OF APPROVAL OF STATE PLAN MATERIAL FOR: HEALTH CARE FINANCING ADMINISTRATION	1. TRANSMITTAL NUMBER: <u>0 1 -- 0 0 5</u>	2. STATE: Rhode Island
	3. PROGRAM IDENTIFICATION: TITLE XIX OF THE SOCIAL SECURITY ACT (MEDICAID)	
REGIONAL ADMINISTRATOR HEALTH CARE FINANCING ADMINISTRATION DEPARTMENT OF HEALTH AND HUMAN SERVICES	4. PROPOSED EFFECTIVE DATE 2/1/01	

TYPE OF PLAN MATERIAL (Check One):

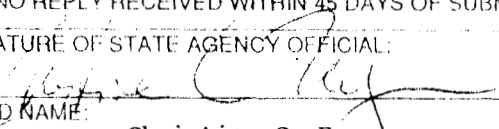
☐ NEW STATE PLAN ☒ AMENDMENT TO BE CONSIDERED AS NEW PLAN ☐ AMENDMENT

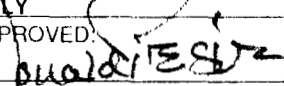
COMPLETE BLOCKS 6 THRU 10 IF THIS IS AN AMENDMENT (Separate Transmittal for each amendment)

6. FEDERAL STATUTE/REGULATION CITATION: Section 1906 of the Social Security Act	7. FEDERAL BUDGET IMPACT: a. FFY 2001 \$ (\$277,013) b. FFY 2002 \$ (\$3,238,669)
8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT: Attachment 4.22 - C, pp 1 - 3	9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT (If Applicable): Attachment 4.22 - C, p 1

SUBJECT OF AMENDMENT:

State Method on Cost Effectiveness of Employer-Based Group Health Plan

GOVERNOR'S REVIEW (Check One):		16. RETURN TO: Dorothy Karolyshyn DHS 600 New London Avenue Cranston, RI 02920
<input type="checkbox"/> GOVERNOR'S OFFICE REPORTED NO COMMENT <input type="checkbox"/> COMMENTS OF GOVERNOR'S OFFICE ENCLOSED <input type="checkbox"/> NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL		
SIGNATURE OF STATE AGENCY OFFICIAL: 		
TYPED NAME: Christine C. Ferguson		
TITLE: Director		
DATE SUBMITTED: 2/1/01		

FOR REGIONAL OFFICE USE ONLY	
17. DATE RECEIVED: March 20, 2001	18. DATE APPROVED:  6/13/01
PLAN APPROVED - ONE COPY ATTACHED	
19. EFFECTIVE DATE OF APPROVED MATERIAL: February 1, 2001	20. SIGNATURE OF REGIONAL OFFICIAL:
TYPED NAME: Ronald Preston	22. TITLE: Associate Regional Administrator
REMARKS:	

STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT

State: Rhode Island

Citation	Condition or Requirement
Section 1906 of the Act	State Method on Cost-Effectiveness of Employer-based Group Health Plans

The state employs two distinct methodologies for determining the cost effectiveness of an employer based group health plan: one is used for individuals eligible under coverage groups that receive medical benefits through a fee-for-service system; and the second is used for individuals and families eligible under coverage groups that receive medical benefits under RIte Care, the state's managed care demonstration project.

The following methodology is used to determine the cost-effectiveness of an employer-based group health plan for individuals that receive benefits as fee-for-service:

1. **POLICY INFORMATION:** Obtain information on the group health plan available to the recipient. This information must include the effective date of the policy, exclusions to enrollment, the covered services under the policy and premiums paid by the employee.
2. **COVERAGE FOR MEDICAID COSTS:** The Medical Assistance Program has established total annual Medicaid costs of persons like the recipient (age, category or assistance), based on available data.
3. **COST-EFFECTIVENESS REVIEW:** The Medical Assistance Program reviews the policy to determine the amount saved by the specific policy provisions compared to the average cost for the type of recipient as determined in 2., above. Only the costs of services covered by the insurance policy are included. The total amount that the Medical Assistance Program will save under the health insurance policy's provisions is compared against the sum of the following:
 - a. The premium cost, including the cost of premiums for those ineligible for Medical Assistance who must be included for the policy to be in effect; and
 - b. The cost to Medical Assistance for paying co-insurance, cost sharing and deductible factors for Medical Assistance eligibles, if any are imposed under the policy; and
 - c. Administrative costs estimated to be \$135 per determination.

If the projected amount that would be paid by the Medical Assistance Program absent the existence of the policy is greater than the sum of the costs a., b., and c., above, the policy is determined to be cost effective.

TN. No. 01-005
Supersedes
TN No. 92-07

Approval Date: 6/13/01

Effective Date: 2/1/01

Citation	Condition or Requirement
Section 1906 of the Act	State Method on Cost-Effectiveness of Employer-Based Group Health Plans

The following methodology is used to determine the cost effectiveness of an employer-based group health plan for individuals and families subject to enrollment in RItE Care:

Introduction

RItE Share is the state's premium assistance program established under the authority of Section 1906 of the Act. Only those individuals or families eligible to enroll in RItE Care who have access to employer sponsored health insurance will be considered for enrollment in RItE Share.

The state provides a subsidy payment for qualified health insurance plans offered by employers. A qualified plan must meet minimum benefit requirements and maximum cost sharing (deductibles, co-payments and coinsurance) and be determined to be cost effective.

The subsidy payment is equal to the employee share of the monthly premium and is generally paid directly to the employer. The state ensures that individuals enrolled in RItE Share have access to all Medicaid covered services by directly paying enrolled providers for services and cost sharing requirements not covered in the commercial plans as well as services that exceed the coverage of commercial plans.

Cost Effectiveness - Concept

On average, total cost for providing Medical Assistance covered services through RItE Share must be less than the cost of providing such services through RItE Care.

Cost effectiveness is determined on a employer plan specific basis, rather than on an individual or family specific basis. This will reduce the administrative burden for the applicant, the employer and the state. This method is effective in ensuring that the cost to the State for those enrolled in the premium assistance program is less than enrolling those same individuals or families in RItE Care.

TN No. 01-005
Supersedes
TN No. New

Approval Date 5/1/01 Effective Date: 02/01/01

STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT

State: Rhode Island

Citation	Condition or Requirement
Section 1906 of the Act	State Method on Cost-Effectiveness of Employer-based Group Health Plans

In order for the state to determine that an employer plan is cost effective, the employee's monthly premium share plus any Medicaid covered services not covered in the commercial plan (all cost sharing and services covered under RIte Care) must be less than the average capitation payment for an average RIte Care family. There are three (3) cost effectiveness determinations for each employer plan:

1. Family coverage where all family members are Medicaid eligible (income less than or equal to one hundred eighty five percent (185%) of the federal poverty guidelines (FPL));
2. Family coverage where only children and pregnant women in the family are Medicaid eligible (income greater than one hundred eighty five percent (185%) and less than or equal to two hundred fifty percent (250%) of FPL);
3. Individual coverage where only the employee is Medicaid eligible (pregnant woman).

Methodology

1. Prospectively determine the average value (cost) of RIte Care for the time period under consideration.
2. Identify and determine the average actuarial value(s) of the benefit differences between RIte Care and RIte Share approved employer sponsored insurance (ESI) plans most prevalent in the market - including differences in copays, deductibles, coinsurance amounts, benefit maximums and RIte Care only benefits.
3. Determine and allocate net operational costs to administer RIte Share.
4. Calculate the average subsidy threshold, as the average RIte Care value minus the actuarial value of the benefit difference determined in step 2 and the net operational costs determined above in step 3. The value of the difference determined in step 2 shall be allocated to make MA eligible individuals covered through RIte Share approved ESI plans whole on a RIte Care benefits equivalent basis.

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TN No. New

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